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Before the
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
Billed Party Preference)
for 0+ InterLATA Calls)

CC Docket No. 92-77

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FILE

To: The Commission

REPLY COMMENTS OF INTERNATIONAL TELECHARGE, INC.

International Telecharge, Inc. ("ITI"), by its attorneys, hereby submits its reply comments in response to the Commission's proposal to adopt a system of "billed party preference" ("BPP").¹ ITI strongly endorses the comments filed by the Competitive Telecommunications Association ("CompTel"), of which ITI is a member. BPP will impose enormous costs upon local exchange telephone companies ("LECs") and interexchange carriers ("IXCs") alike, which they must in turn pass along to the consuming public. BPP will seriously damage the aggregator and operator service industries and is contrary to the Commission's general policy of fostering a competitive market structure. Finally, BPP will frustrate and inconvenience most consumers of "0+" services. The record herein does not support the adoption of BPP -- indeed it demands its immediate and permanent rejection.

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¹ Billed Party Preference for 0+ InterLATA calls, CC Docket No. 92-77 (rel. May 8, 1992) (hereinafter "Notice").

I. BPP WILL PLACE ENORMOUS COSTS UPON THE TELEPHONE INDUSTRY WHILE FAILING TO PROVIDE ANY SUBSTANTIAL CONSUMER BENEFITS.

The initial comments filed herein demonstrate that the cost to develop and deploy BPP are likely to exceed \$2 billion. Operation and administration of the system would drive the total costs of BPP higher by \$150 million per year. These costs will undoubtedly be passed on to consumers in the form of substantially higher rates for "0+" services. Yet consumers will not benefit appreciably by the system. Instead, callers will be rewarded with increased call set up times, duplication of operator functions and, in general, confusion and frustration resulting from a totally new operator services environment.

The seven RBOCs and a few of the larger independent LECs estimated that their start-up costs for BPP would approach \$1 billion dollars. While enormous, this estimate does not even consider the costs of the over 1400 LECs which must modify and upgrade their equipment in order to achieve universality of the system. Thus, the total cost to LECs for implementation of a BPP system could easily exceed \$2 billion.

IXCs, such as ITI, will also have to invest significant sums to implement BPP. AT&T and AMNEX described the extensive and expensive modifications to their system which

would be required to accommodate BPP.² ITI, too, would need to make substantial modifications to its existing network, convert to SS7 technology, reroute trunking arrangements, install new facilities to connect to the LEC Operator Service Switches ("OSS") and completely revamp its call processing software. It is impossible to accurately determine the precise cost to implement BPP because no one has ever provided technical details of the proposed system to competitive IXCs. However, AT&T has estimated that its costs alone would be at least \$68 million³ and ITI believes it too, would incur millions of dollars in similar costs. Whatever the ultimate expense, ITI and other IXCs would have to pass the cost along to consumers of operator services in the form of higher charges, contrary to the Commission's policy of attempting to ensure the provision of operator services at reasonable rates.

This enormous cost burden is especially disturbing because most consumers will not realize any significant benefit from adoption of a BPP system. According to the Commission, BPP would allow "0+" calls to be "routed to the operator service provider ("OSP") preselected by the party

² AT&T Comments at 12-15; NYCOM/AMNEX Comments at 16-17.

³ AT&T Comments at 12-15.

being billed for the call."⁴ However, as noted by CompTel, recent efforts by this Commission and Congress have ensured that a system of "dialing party preference" already is in place. Thanks to new regulations requiring posting, branding and access code unblocking, the dialing party already possesses the knowledge and means to direct calls to his or her preferred carrier. The only incremental benefit afforded by BPP would be to enable users of access codes to place calls on a "0+" basis. But, as CompTel demonstrated, 60 percent of callers already reach their preferred caller by dialing "0+."⁵ Moreover, as CompTel further explained, even BPP would not eliminate the need to dial access codes, as BPP would be useless where aggregators use special access or CAPs, or where consumers elect to use the services of regional IXCs.⁶

II. BPP WILL RESULT IN WIDESPREAD CONSUMER FRUSTRATION AND DISSATISFACTION.

According to the comments, BPP cannot be implemented until 1996 at the earliest. This means that carriers will continue in their efforts to educate consumers on the structure of the operator services industry, and how callers

⁴ Notice at 1.

⁵ Comments of CompTel at 12.

⁶ Id. at 19-20.

can access their carriers of choice. Abruptly eviscerating this system, and replacing it with an entirely new one, will produce widespread confusion and annoyance.

Furthermore, consumer dissatisfaction will certainly continue once BPP is in place. BPP will substantially increase access times for placing "0+" calls. The interposition of the LEC operator, or its corresponding automated system, into the call processing sequence will add substantial time to the call set-up process. Indeed, US West estimates that BPP could add anywhere from 6-30 seconds to the processing of "0+" calls.⁷ This additional time would not be offset by the fact that callers no longer would dial access codes. For the minority of "0+" calls which are dialed with access codes, callers use only 2.5-5.5 seconds to dial them.⁸

BPP will also result in many callers having to interact with two different operators. This problem will typically arise with respect to "0+-" calls such as collect, bill-to-third number and person-to-person calls. For these services, callers will have to give specific information to the LEC operator, as required to determine the appropriate routing of the call. Once the call is received by the IXC, however, the IXC operator will need to obtain additional information from

⁷ US West Comments at 13.

⁸ Id. at 12-13.

the caller for purposes of call processing, acceptance and billing. This duplication of effort will no doubt seem unnecessary to the caller, and will certainly result in frustration and aggravation.

While the Commission acknowledged this potential problem in its Notice,⁹ it seemed to believe that Signalling System #7 ("SS7") and Automated Alternate Billing Services ("AABS") may provide a means which would enable the LECs to automatically send the necessary call and billing information to the IXC. The comments demonstrate, however, that this is not the case. The SS7 functionality required to complete this automated information transfer has not yet been developed, and will probably not be available until 1994 or 1995.¹⁰ Even then the AABS system cannot eliminate the need to involve both the LEC and IXC operators in the placement of "0+-" calls. Since AABS can collect and send only numeric (not verbal) information, the IXC operator will still have to ask callers for their name on collect calls, verify acceptance of bill-to-third number calls and speak with both the calling and called parties on person-to-person calls.¹¹ Thus, even with SS7 and AABS, callers would have to interact

⁹ Notice at 12.

¹⁰ See Comments of US West at 8.

¹¹ Comments of BellSouth at 13; Comments of US West at 8.

with a LEC operator, albeit a robotic one, and then again with the IXC operator.¹² Confusion and aggravation will abound.

For years ITI has handled millions of operator service calls monthly. Based upon this extensive experience with consumers of "0+" services, ITI can state unequivocally that the users of such services want three things above all else: speed of dialing, simplicity in call processing and reasonable charges. BPP is inconsistent with all of these desires.

III. ADOPTION OF BPP WILL SERIOUSLY HARM THE PUBLIC PAY TELEPHONE AND OPERATOR SERVICES INDUSTRY.

Last, but certainly not least, BPP will have a devastating effect on the continued availability of public telephone services and will thwart the Commission's goals of creating a competitive operator services market. As demonstrated in the comments, the commission system provides an important revenue source for many aggregators such as airports and state government agencies. BPP, however, would eliminate the commission system, leaving aggregators without any means to recoup their investments. Obviously, without these payments many aggregators will have to consider

¹² Comments of BellSouth at 13.

reducing or discontinuing public telephone service altogether from some locations.¹³

BPP will also reduce the level of competition in the operator services market -- ostensibly in the name of promoting such competition. Currently, most OSPs contract with aggregators to provide service from a certain location. These carriers only have to establish POPs and order access facilities in areas where they have customers. Because BPP would require consumers to pick a primary OSP to complete their "0+" calls placed from any place in the United States, OSPs would necessarily need to originate traffic on a nationwide basis to attract customers. Many carriers simply cannot afford the expense of obtaining such a nationwide originating capability.

The "partnership" arrangements contemplated by the Commission simply are unrealistic. Technical and business limitations make any type of partnership proposals unlikely and, at best, highly complex. Large carriers operating on a nationwide basis simply have little incentive to enter into partnership arrangements with smaller carriers which are also their competitors. The marketplace reality is that callers will inevitably choose nationwide carriers for their primary OSP, rather than selecting a small, regional company. The

¹³ Comments of State of South Carolina Division of Information Resource Management at 8; Comments of California Payphone Association at 3.

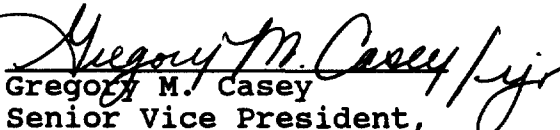
"0+" market will be permanently relegated to a two or three firm oligopoly composed of companies with national networks and a large established base of presubscribed "1+" customers.

CONCLUSION

BPP would be catastrophic for ITI and the vast majority of other competitive OSPs. The proposal would simultaneously increase their costs and reduce their revenues substantially. The net result would be that ITI and other competitive OSPs would be forced out of the "0+" market, leaving "0+" services as the exclusive province of AT&T, MCI and Sprint. Even more disturbing, consumers of "0+" services would have to foot the \$2 billion bill for BPP. In return, they would receive substantially degraded "0+" services. The meager benefits afforded by BPP, if any, simply do not outweigh this extraordinary cost. ITI respectfully urges the Commission to recognize the folly of the BPP proposal and reject its adoption once and for all.

Respectfully submitted,
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